



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: June 20, 2006 REPORT NO: 06-079

ATTENTION: Council President and City Council
Docket of June 26, 2006

SUBJECT: Park and Recreation Department, Golf Course Operations
Business Plan

REQUESTED ACTION: Council adoption of the resolution approving the Golf Operations Business Plan and authorizing the Mayor, or his designee, to review rate revisions annually and make adjustments as needed in accordance with AR 95.25.

STAFF RECOMMENDATION: Approve the proposed Park and Recreation Department Golf Course Operations Business plan, and authorize annual review and adjustment of rates in accordance with AR 95.25.

FISCAL CONSIDERATIONS:

Each of the specific Business Plan recommendations has potential financial impacts affecting the financial viability of the Golf Enterprise Fund. In order to ensure that the recommendations of the Business Plan have been properly reviewed and analyzed, staff from the Golf Division has worked with the Park and Recreation Department Business Manager, Financial Services staff as well as a private sector professional consultant from the National Golf Foundation (NGF). Recently, NGF has completed their review of the proposed Business Plan, and in general, it finds that the plan is conservative in its projected greens fees and it addresses many of the outstanding operational issues.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

The Business Plan has been discussed with the Golf Advisory Council (GAC) over the last several months. These meetings and discussions have increased in complexity as the framework for the plan has advanced into the full Business Plan with complete recommendations. The GAC has met five times to discuss the developing plan. The final plan has also been discussed at other public forums and briefings. These discussions included:

Informational presentations to Golf Advisory Council

- October 2005 – Discussion of four primary plan goals
- November 2005 – Review complete principles
- December 2005 – Review status of plan preparation
- January 2006 – Informational presentation of complete Business Plan

Action by Golf Advisory Council

- February 2006 – Council voted 8-3 to not support the proposed Business Plan

Special Community Meeting hosted by the City Attorney – March 1, 2006

Natural Resource and Culture Committee informational presentation – March 8, 2006

Briefing involving stakeholders representing all interested/affected organizations, Mayor Jerry Sanders and City staff – April 5, 2006

On May 17, 2006 the Natural Resource and Culture Committee heard an updated presentation on the proposed Park and Recreation Department Golf Course Operations Business Plan. Following the presentation, the Committee heard approximately three hours of public testimony and made the following recommendations;

1. Separate the Parking lot portion of the clubhouse CIP budget from the clubhouse. VOTE: 4-0
2. Forward the Park and Recreation Department Golf Course Operations Business plan without recommendation to the full City Council with the exception to include the 70/30 percent tee time allocation between residents and non-residents, with direction to staff to provide answers to the Committee's Questions (see attachment 2). VOTE: 4-0

BACKGROUND

In June of 2001, the City Council adopted the first five year Business Plan governing the operation of the City maintained golf facilities. This plan outlined key issues facing the daily operation of the three City golf complexes. The plan also outlined key capital needs and established the green fee structure for the five years covered by the plan. During the five years of the plan, several key changes occurred in the Golf Division. Some of these changes included:

- Torrey Pines Golf Course being selected for the 2008 U.S. Open (October 2002)
- The City assuming operational responsibility for the Mission Bay Golf Complex (November 2003) following the expiration of the 50-year lease.
- Completion of a comprehensive audit at Torrey Pines resulting in updates and improvements to: inventory tracking, cash handling procedures and other operational and customer service standards.

During the preparation of the current draft Business Plan, Golf Operations staff has worked with the Golf Advisory Council to seek input on the formation of the plan. This input from the GAC began in October of 2005 with the formation of the Business Plan principles and has continued monthly as the plan has evolved. In all, staff has met five times with the GAC to discuss the principles and specifics of the proposed Business Plan.

DISCUSSION

The primary goal of the proposed Business Plan is to provide direction for Golf Operations over the next five years. During this time, the Golf Division must begin to address the significant revenue short fall at Balboa Park, identify plans to address the maintenance deficiencies at all three facilities, reduce the back log of facility deferred maintenance and provide funding for several much needed Capital Improvement Projects. In general, the plan must maintain a Golf Enterprise Fund that addresses many operational needs while establishing clear policies and procedures that ensure the long term financial sustainability of the Golf Enterprise Fund.

Based on these goals, a draft Business Plan was developed and presented to the Golf Advisory Committee and public. As with any discussion of fees, there was concern and controversy regarding the proposed recommendations. Compounding this review process was the required timeline for review and approval of the proposed clubhouse at Torrey Pines. The combination of the two issues created significant community concern prompting involvement from the Mayor.

On March 1st of this year, Mayor Jerry Sanders appeared at the public forum hosted by the City Attorney and indicated that he would personally review the proposed Golf Operations Business Plan. He also indicated that he would slow down the review process and that he would take a leadership role in the resolution of the outstanding Business Plan issues. Following this meeting, the Mayor and his staff reviewed the Business Plan and the prior public testimony from public meetings. Based on this information, specific changes to the Business Plan were developed and they were presented to many of the key stakeholders at a briefing with the Mayor on April 1st. At this meeting, the Mayor outlined the proposed changes to the previous draft Business Plan and indicated that he was committed to opening up the Torrey Pines Golf Course to all residents of the City and that he would not support subsidizing golf; resident green fees must be increased to cover operational costs and maintenance. At this briefing he also outlined specific recommendations regarding postponing the proposed clubhouse at Torrey Pines, junior and senior rates. Key components of the Business Plan are listed below.

Key Business Plan Areas

1. Business Plan Principles

A key component of the proposed Business Plan has been the development of Business Plan principles. These principles have been used to develop the entire Business Plan and are based on four primary goals. These include:

- **Customer Service** - Meet or exceed customer expectations for users at each of the golf complexes
- **Financial Stability** - Each facility should be financially self sustaining
- **Public Access** - The primary users at all of the golf complexes are intended to be San Diego residents and public access should be maximized
- **Efficient Operations** - Policies for operation should focus on consistency, simplicity and accountability

These goals and corresponding principles have been used to develop specific plan recommendations for the entire Business Plan.

2. Percentage Adjustments for green fees

The rate adjustment percentage chart (see page 29 of the Business Plan) was designed to systematically address the many individual green fees at each complex. This formula basis allows the development of green fees that maintain the appropriate relationship of one fee to another and simplifies the discussion of future green fees.

3. Green Fees for the Balboa Golf Complex

The proposed green fees for the Balboa Park Golf Complex are designed to reduce the losses that the complex currently experiences by increasing the green fees for the 9 and 18-hole courses. These increased rates will offset some of the gap between the current revenues and the current expenses associated with the maintenance of the courses. These rate adjustments have been focused on trying to achieve resident rates that come close to covering the cost to prepare the golf course for a round of play. Although the rate increases are significant for some of the green fees, from a percentage basis, they are within the current market for the experiences at each of the golf courses.

Another goal of the new rate structure for Balboa Park is to attract additional non-resident play. Currently, this constitutes less than 10% of total play. The proposed new reduced rates for non-residents on the 18-hole course improve the market position of the facility versus other municipal golf courses, which should increase the number of non-resident rounds achieved. This increase in non-resident play will further offset some of the revenue short fall at this facility.

4. Green Fees for the Mission Bay Golf Complex

The primary goal for the green fees schedule at Mission Bay is to introduce resident and non-resident rates. As part of the plan, non-resident rates will be phased in throughout the five years of the plan, allowing the separation between resident and non-resident rates to slowly increase. Currently, the rates and fees charged at Mission Bay are close to the cost to maintain the facility and therefore the general rate adjustments over the five years of the Business Plan are very minimal.

5. Green Fees for the Torrey Pines Golf Complex

The proposed green fees for the North Course at Torrey Pines have been adjusted to slightly reduce the subsidy that residents receive. The proposed rates for the South Course are restricted by the contract with the USGA for fiscal years 2007- 2009. Following this time, the rate will be increased to address the significant costs associated with the preparation of this golf course for play. Again, both the North and South course rates are intended to come close to the actual costs to maintain the courses. This is consistent with Mission Bay and Balboa Park and confirms that the non-resident rates at Torrey Pines cover the short fall in resident revenues at all of the complexes as well as pay for all Capital Improvements to the system.

Other additional changes to the green fees at Torrey Pines include the addition of an advance booking rate for individuals needing to book a tee time prior to the seven day phone reservation system. This program would allow golfers to book a tee time up to 90 days in advance. These users will pay the applicable rate for green fees and additional surcharge to cover the cost to administer the advanced reservation system. Up to 12% of the total tee times for residents and non-residents would be available for purchase under this new structure. The other new fee to be added at Torrey Pines is the course buyout option. With this option, a group could select to buyout the North or South Course for a tournament, for a premium. This option is based on the interest received by Bethpage following the U.S. Open and it is anticipated that only one of these events would occur per year.

6. Miscellaneous Fees

In addition to the individual green fee sheets for each complex, there are three miscellaneous fee adjustments proposed in the Business Plan. These include:

- County Rate - The elimination of the county rate. Currently, county play constitutes less than 3% of the total play within the system and it does not warrant another complete list of green fees.
- Senior Rate – As part of the recent plan revisions the senior rate will be a 30% discount in lieu of a low income fee waiver process.
- Junior Rate- In order to ensure and increase access to Balboa Park and Torrey Pines golf course by all juniors, the monthly junior ticket will remain at the current rate throughout the duration of the Business Plan.
- Photo Shoots - As part of the plan, staff also recommends the creation of a vehicle to compensate the golf complexes for time lost during commercial photo shoots. The plan recommends that these outings be scheduled to reduce impacts to play and that each event compensates the golf course for any lost revenues.
- Special Project Rate – This rate would allow management at the golf facilities to reduce non-resident green fees when significant construction or

maintenance is taking place on the golf course. During construction projects, green fees for non-residents may be reduced by up to 25% or to resident rates (which ever is higher). Only the Park and Recreation Director or his/her designee would be authorized to initiate these reduced rates according to City Council approved procedures.

7. Tee Time Allocations for the Torrey Pines Golf Complex

The allocation of tee times at Torrey Pines has long been an issue of contention. As part of the Business Plan, staff intends to reduce this number of tee times allocated to the lessees to the minimum number of times specified in each of the existing leases. Another plan recommendation is to reduce the number of times pre-booked for the Women's and Men's clubs to two four hour events per month. This will significantly increase the number of times available for general city resident play while allowing club play to continue twice a month, which is consistent with most municipal facilities. These proposed allocation changes will increase the number of tee times available to the general public as well as clarify the distribution. In order to ensure the proper distribution of tee times, staff is working with the our reservation software vendor to customize and update our application and staff training to ensure that we are able to track and manage the distribution of tee times to ensure the City Council specified 70%/30% resident/non-resident distribution. These steps will also allow staff to better manage the overall facility and improve the customer experience for all patrons.

8. Capital Improvements Program (CIP)

Each of the Golf complexes has several needs for new or upgraded facilities and infrastructure. The total system-wide capital needs for the next 14 years includes over \$36 million dollars in improvements. These improvements are needed throughout the system and all of the funds needed to complete this work must be generated within the Golf Enterprise Fund. As explained earlier, non-resident play at Torrey Pines is anticipated to generate all of the needed capital for improvements throughout the system. With this approach, City residents will have the opportunity to benefit from well maintained facilities without having to fund any of the capital cost for the improvements.

The focus of many recent discussions regarding capital projects has centered on the proposed clubhouse at Torrey Pines; however, there are many needs throughout the Golf Division and staff has developed a capital program to address all of the needs. Some of the key projects at each complex that would be initiated during the next five years include:

- Balboa Park
 - Clubhouse roof replacement - \$100,000 FY 2007
 - Irrigation system upgrade to the 18 hole course - \$1,200,000 FY 2008
 - New Clubhouse and parking lot upgrades - \$8,500,000 FY 2011-2013

- Mission Bay
 - Upgrades to the existing restaurant – \$400,000 FY 2007& FY 2008
 - Irrigation system upgrades – \$900,000 – FY 2007 &2009
 - Driving Range Improvements - \$1,000,000 FY 2009
- Torrey Pines
 - Parking lot upgrades – Parking lot improvements scheduled for completion in FY 2008. Clubhouse construction is removed to a separate unfunded CIP.
 - Deferred Maintenance at the current “Clubhouse” facility- \$400,000 FY 2007

Recently, there has been significant concern expressed regarding the public input process for the proposed Torrey Pines Clubhouse. In order to clarify the process for this project, staff has included the list of City Council Actions and Community input received to date on the project.

Clubhouse Timeline

- 2001, City Council approves the Business Plan that identifies the need for additional administrative areas at the clubhouse
- 2002, Golf operations staff hires “E-group to develop a schematic master plan for clubhouse area
- July 2004, City Council creates the Clubhouse CIP project
- July 2004, staff hires consultant to review site plan options and cost issues regarding remodeling, rebuilding in the current location or relocating the proposed clubhouse
- November 2004, GAC reviews and supports the direction for a new clubhouse and the proposed site plan options for locating the clubhouse
- November 2004, NR&C reviews the proposed site plan options and supports staff recommendation for the new location
- January 2005, City Council reviews the proposed clubhouse site options, supports staff direction and directs staff to begin to work with the Century Club regarding potential financing options for the project
- February 2005, staff begins the design process for the clubhouse project
- July 2005, \$2,500,000 added to the Clubhouse CIP by the City Council – these funds were used for plans and permits for the entire project

Informational presentations to stakeholders:

- Golf Advisory Council (February 7, 2005, April 21, 2005)
- Torrey Pines Women’s Golf Club (June 28, 2005)
- Torrey Pines Men’s Golf Club (June 21, 2005)
- Park and Recreation Board’s Design Review Committee (June 8, 2005)
- Park and Recreation Board (July 21, 2005)
- University Community Planning Group (June 14, 2005)
- Torrey Pines Club Corporation (April 29, 2005)
- Lodge at Torrey Pines (April 29, 2005, June 13, 2005)

- Hilton-La Jolla Torrey Pines (April 29, 2005)

Action by Community Groups:

- Golf Advisory Council – September 29, 2005 the GAC approved the conceptual plan by a vote of 7-2,
- University City Planning Group - December 13, 2005 the UCP Group voted 13-0 to support the conceptual design.
- February 1, 2006 – Hearing Officer Approval of the Coastal Development Permit, Site Development Permit and CEQA document
- February 8, 2006 – Design Review Committee voted unanimously to support the conceptual design with recommendations
- February 16, 2006 – Park and Recreation Board voted (5-1) to approve the conceptual design for the proposed parking and circulation improvements, clubhouse replacement, on-course upgrades and tournament support facility at the Torrey Pines Golf Complex

SUMMARY

As indicated in the Fiscal Consideration section of this report, staff has worked with many other departments throughout the City, as well as private consultants, regarding the development and review of the proposed Business Plan. This collaboration has added diversity of experience and knowledge to the process and has resulted in a plan that attempts to consider all of the many short and long term aspects of golf course management and operation. Based on this broad range of professional involvement in the business planning process, Golf Division staff believes that the proposed plan will address many of the existing system deficiencies will allow for the long term enhancement of all three complexes. This fiscal stability, coupled with the clear and concise policy direction from Mayor Jerry Sanders, provides the Golf Division with a comprehensive Business Plan that will increase access to City residents, create a long term Capital Improvement Program and address many outstanding operational issues.

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Attachments:

1. [Proposed Business Plan](#)
2. [Response to Natural Resource and Culture Committee Questions](#)
3. [Executive Summary from the NGF Study](#)